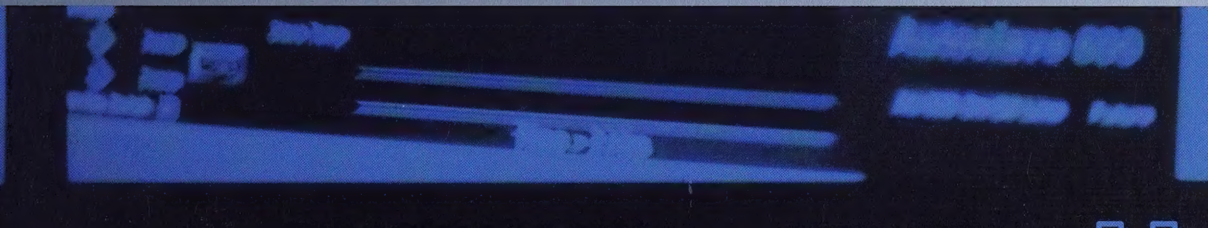
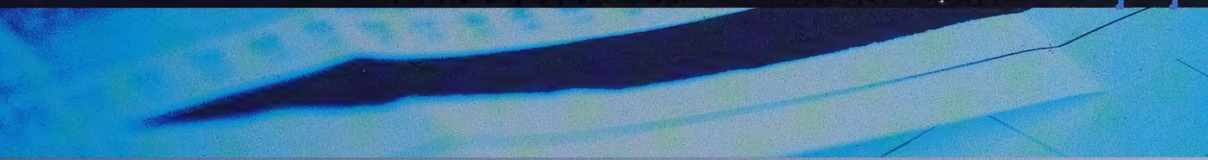


SHERRITT INTERNATIONAL *annual report* 99



SHERRITT INTERNATIONAL CORPORATION

operates in Canada, the Republic of Cuba and internationally. Sherritt International owns a 50% indirect interest in a vertically-integrated commodity nickel/cobalt metals business. The Corporation owns assets which are operated to provide for some of the input requirements of the Metals refinery and which also produce fertilizer. The Corporation explores for, develops and produces oil and natural gas reserves worldwide. In addition, the Corporation has investments in power-generation, communications, soybean processing, tourism and agriculture in Cuba.

Sherritt International Corporation's restricted voting shares and convertible debentures trade under the symbols S and S.DB, respectively, on The Toronto Stock Exchange.

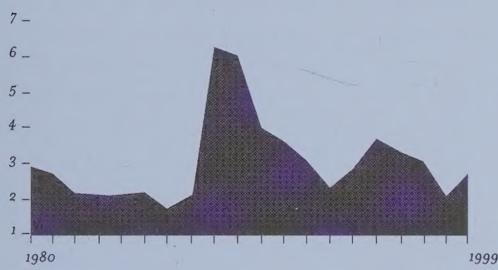
HIGHLIGHTS

COMMODITY PRICES
1980-1999

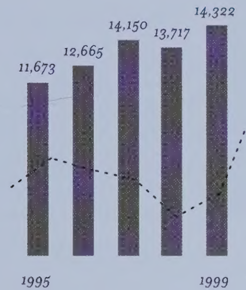
SHERRITT INTERNATIONAL
1995[1]-1999

Production
Commodity Price

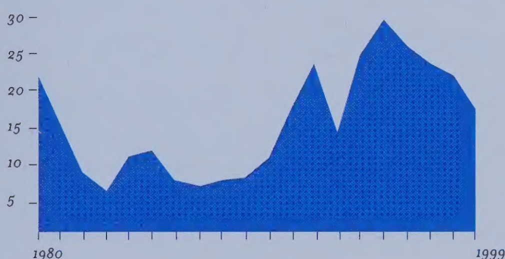
N i c k e l
LME Annual Average Price/U.S. $ per pound



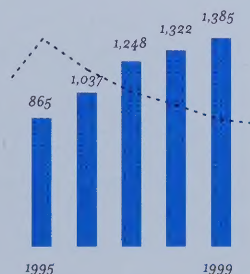
N i c k e l
Tonnes



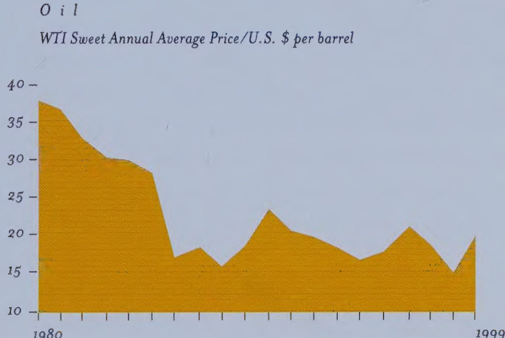
C o b a l t
MB 99.8% Annual Average Price/U.S. $ per pound



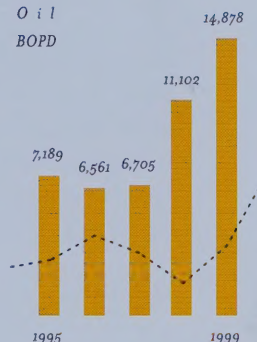
C o b a l t
Tonnes



O i l
WTI Sweet Annual Average Price/U.S. $ per barrel



O i l
BOPD



- SHERRITT INTERNATIONAL ACHIEVED RECORD NET EARNINGS OF $66.6 MILLION OR $0.60 PER SHARE
- METALS OPERATING EARNINGS MORE THAN TRIPLED TO $48.7 MILLION
- NET OIL PRODUCTION IN CUBA ROSE 69% TO SET THIRD CONSECUTIVE ANNUAL PRODUCTION RECORD

[1] *Pro forma 1995 results. Assumes that the businesses acquired November 24, 1995 were effectively acquired on January 1, 1995.*

1999 was a good year for your company. It was a year of substantial earnings and record production of our key commodities of nickel, cobalt and oil. The economies and operating disciplines put into place to accommodate lower commodity prices of the last few years are having an enormously beneficial effect in a period of improved commodity prices.

Your company has investments in Cuba in nickel and cobalt mining, oil and gas exploration and development, power-generation, telecommunications, tourism and agriculture. The portfolio of businesses in Cuba is broadly representative of the Cuban economy and will participate fully in Cuba's economic development. We believe that your company is currently the lowest cost integrated primary nickel producer in the western world. We have significantly expanded our oil reserves and our daily oil production. Our major construction projects in the power business are advancing as planned through our partially-owned affiliate, Sherritt Power Corporation. Our communications and tourism businesses are meeting expectations.

The technical expertise and the operating experience acquired by our business units both in Cuba and elsewhere over the years will enable your company to pursue and develop similar opportunities in any international environment. In May of 1999, your company made a strategic investment in Anaconda Nickel Limited of Australia, at a time when nickel prices were just beginning to experience a strong recovery.

We have planned a number of expansion investments in Cuba in most of our operating areas. However, our current business operations are generating cash well in excess of those plans and can be expected to continue to do so if current commodity price levels continue. We believe that all of Sherritt's near-term investment objectives and financial obligations can be easily met from current and projected cash flow from operations.

A significant problem that will be addressed in calendar year 2000 is the stock market valuation of our company, which remains low in spite of strong earnings and a strong balance sheet. Several corporate initiatives will be undertaken in the immediate future. In the year 2000, it is our intention to restructure our balance sheet to achieve increased returns to our shareholders. Your company intends to establish a mechanism for the orderly retirement of its outstanding convertible debentures prior to maturity. We will also seek shareholder approval for a recapitalization of the company, which will allow us to begin paying dividends to shareholders.

The excellent earnings results for your company in 1999 could not have been achieved without a dedicated group of employees, managers, directors, bankers, advisors and other stakeholders. I would like to thank all of those groups for the continuing fine performance of your company.

Ian W. Delaney
Chairman, March 2000

Sherritt International completed its fourth full year of operations with record earnings and revenues in 1999. The results reflect higher production and sales volumes of nickel, cobalt and oil and an ongoing commitment of the Corporation's management and employees toward improving the operating efficiencies of its key businesses. They also reflect the positive impact of higher prices for oil and nickel in comparison with 1998.

The Corporation achieved net earnings of $66.6 million on revenue of $372.3 million in 1999, compared with a net loss of $46.0 million on revenue of $312.9 million in 1998. The 1998 loss was attributable to a $72.3 million ($70.8 million after-tax) write-down of oil and gas assets. Excluding the impact of this adjustment, consolidated net earnings grew by $41.8 million over the previous year. Record performances by the Corporation's Metals and Oil and Gas businesses contributed to the growth in revenue.

The Corporation's Metals business posted record operating earnings of $48.7 million in 1999. This was more than triple the operating earnings of $13.9 million in 1998, resulting from higher production and sales volumes and lower costs. Record sales volumes of finished nickel and cobalt contributed to revenue of $193.3 million in 1999, an increase of 9% over 1998. A 30% increase in the reference nickel price was largely offset by a 22% decrease in the reference cobalt price for the year. The 1999 average realized price for nickel was $3.94 per pound, and the realized price for cobalt averaged $19.42 per pound.

The Metals business again achieved annual finished nickel and cobalt production records at the Fort Saskatchewan refinery. Total finished nickel and cobalt production of 28,643 tonnes and 2,770 tonnes was 4% and 5% respectively above the previous annual records achieved in 1998. Record quarterly production at Moa in the fourth quarter of 1999 contributed to annual total mixed sulphide production of 27,020 tonnes. The focus for 2000 will be on increasing production from Moa.

The Oil and Gas business was very successful in 1999. Operating earnings were $39.1 million, compared with an operating loss of $1.2 million, before the impact of the asset write-down, in 1998. Operating revenue increased by 79% to $106.5 million, principally due to record oil production in Cuba for the third consecutive year and higher realized oil prices. The average realized oil price increased by 44% to $19.21 per barrel from $13.31 per barrel in 1998.

During 1999, Oil and Gas capital expenditures of $51.7 million were primarily focused on bringing more of the new Cuban oil reserves into production. This compares with capital expenditures of $97.5 million in 1998, when efforts were focused primarily on exploration and development and on the acquisition of drilling rigs and other equipment.

Average daily oil production increased 34% from 1998 to reach 14,878 barrels per day in 1999. Average daily net oil production in Cuba increased by 69% to 13,143 barrels of oil per day, representing approximately 88% of total oil production. Average daily gross oil production in Cuba was 20,364 barrels, or approximately 60% of Cuba's total oil production. In 1999, the Corporation added eight million barrels of new gross proved reserves in Cuba. During 2000, the Oil and Gas business will test several low risk prospects along the north coast of Cuba to generate new reserves for future development.

The Corporation's investments in power-generation, communications, tourism and agriculture have performed in line with management expectations to date. The Corporation also has an indirect interest in a soybean processing plant, which is currently under construction in Santiago de Cuba.

The efforts of the management and employees of Sherritt to increase production and reduce costs have yielded impressive results in 1999. The benefit of these efforts was further boosted by higher oil and nickel prices. I wish to thank all of the people of Sherritt for their dedication and hard work, which contributed to the success of the company in 1999.

Frederic J. Wellhauser
President and Chief Executive Officer, March 2000

REVIEW *of* OPERATIONS '99

Sherritt International's

METALS BUSINESS consists of the Corporation's 50% indirect interest in a vertically-integrated Metals Enterprise as well as the Corporation's marketing and trading activities in commodity metals.

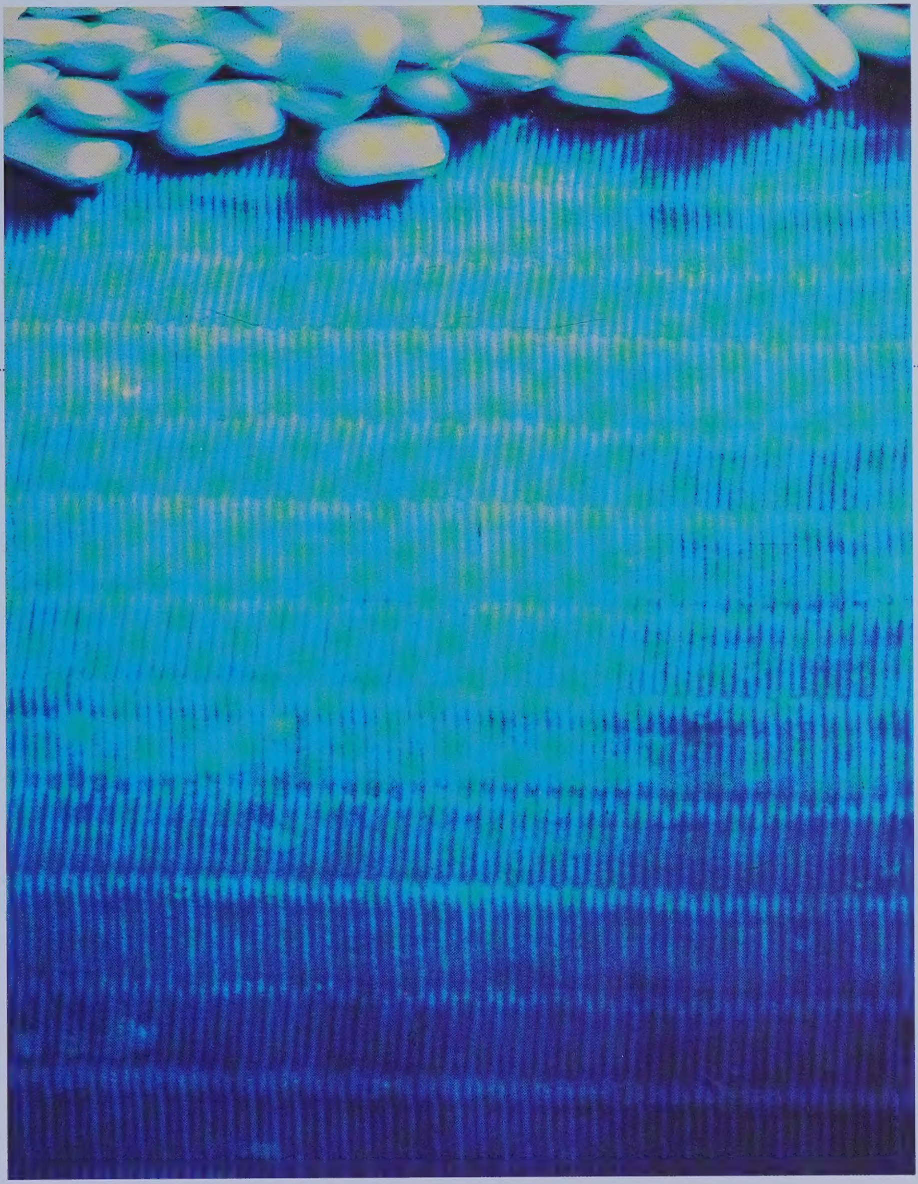
The Metals Enterprise mines, processes, refines, markets and sells commodity nickel and cobalt worldwide. It has mining operations and associated processing facilities at Moa, Cuba; refining facilities at Fort Saskatchewan, Alberta; and international marketing and sales operations. Refined nickel and cobalt production is derived from the treatment of mixed sulphides from Moa, together with some cobalt and nickel-bearing materials from other sources.

The Metals business achieved record operating earnings of $48.7 million on revenue of $193.3 million in 1999, compared with $13.9 million on $177.6 million respectively in 1998. Operating earnings for 1999 more than tripled from 1998 earnings, reflecting the continued benefit of efficiency initiatives throughout the operations of the Metals business, increased production of refined metals and higher revenues. Nickel prices rose in 1999, compared with 1998, but the decline in cobalt prices throughout the year largely offset the positive effect of the higher nickel prices.

The Fort Saskatchewan refinery set production records for both nickel and cobalt for the fourth consecutive year. Total finished nickel production for 1999 was 28,643 tonnes, 4% above the previous record production of 27,434 tonnes established in 1998. Total finished cobalt production of 2,770 tonnes in 1999 surpassed last year's total finished cobalt production of 2,645 tonnes by 5%. The ongoing debottlenecking program contributed to the record production.

A new quarterly production record of 7,045 tonnes of nickel plus cobalt contained in mixed sulphides was achieved at Moa in the fourth quarter of 1999, contributing to total production of 27,020 tonnes for 1999. For the year, total production was essentially unchanged from the record 27,066 tonnes of nickel plus cobalt contained in mixed sulphides produced in 1998.

The Metals Enterprise employs high-pressure acid leach technology at Moa to extract nickel and cobalt into a mixed sulphide for refining into finished nickel and cobalt at the refinery in Fort Saskatchewan. The combination of Sherritt's technical expertise with high-pressure acid leach technology, extensive operating history at the Moa site and the 45 years of successful operations at the refinery, uniquely position the company to produce high quality nickel and cobalt from laterite orebodies.



Metals

TOTAL PRODUCTION ROSE TO 28,643 TONNES OF REFINED NICKEL AND 2,770 TONNES OF REFINED COBALT IN 1999

The ability to achieve incremental production through debottlenecking initiatives is an advantage of the high-pressure acid leach and hydrometallurgical processes employed by the Metals Enterprise. Production gains were accomplished with minimal capital expenditures by introducing innovative technological solutions to areas of the production process where output was previously limited. Mixed sulphide production has increased by 115% and finished nickel and cobalt production by 37% and 52% respectively since 1994, the year that the joint venture was formed. The Metals Enterprise has been very successful in achieving significant business efficiencies and has created a highly collaborative operational team from its Canadian and Cuban partners. In 1999, more than 90% of the feed to the refinery was sourced from the mining and processing facilities in Moa.

Capital expenditures of $11.6 million in 1999 were primarily directed toward incremental production improvements and toward upgrading plant operations. Sherritt's Metals business is well positioned for future growth. In 2000, the focus will be on increasing production from the mining and processing operations to enhance the value of its existing ore reserve and asset base.

MARKET AND PRICES Nickel prices on the London Metal Exchange ("LME") rebounded strongly throughout 1999, opening the year at U.S.$1.81 per pound and closing at U.S.$3.83 per pound. The LME average settlement price for 1999 was U.S.$2.73 per pound, a 30% increase over the 1998 average of U.S.$2.10 per pound. Recovering international economies, particularly in the Far East, led to strong demand for stainless steel, the primary end use of nickel, and lower LME inventories contributed to the increase in nickel prices during 1999.

During 1999, the Metal Bulletin 99.8% free market cobalt price traded in a range between U.S.$7.80 per pound and U.S.$23.00 per pound, averaging U.S.$16.81 per pound for the year, compared with U.S.$21.56 per pound in 1998. The large trading range was primarily a reflection of increased supply from a number of Western producers and uncertainty with respect to the commissioning of new international laterite projects.

The Oil & Gas BUSINESS REPORTED operating earnings of $39.1 million on revenue of $106.5 million in 1999, compared with an operating loss of $73.4 million on revenue of $59.4 million in 1998. The 1998 operating loss included a $72.3 million pre-tax write-down of the Corporation's oil and gas assets.

The significant improvement of the Oil and Gas operating performance in 1999 was mainly due to increases in oil prices during the year and to greatly expanded oil production in Cuba. The average realized oil price increased by 44% to $19.21 per barrel from $13.31 per barrel in 1998. The U.S. Gulf Coast Fuel Oil No. 6 reference price averaged U.S.$14.30 per barrel in 1999, compared with U.S.$9.67 per barrel in the prior year. In 1999, the Corporation's main focus was to develop and bring into production more of its new reserves.

The Corporation's oil and gas assets include oil-producing fields in Cuba, Spain and Italy and gas-producing fields in Italy and Pakistan. Net undeveloped acreage at the end of 1999 totalled 3.75 million acres, compared with 4.06 million acres at the end of 1998. The Corporation had proved plus probable net petroleum reserves totalling 41.6 million barrels of oil and 21.3 billion cubic feet of natural gas on December 31,1999, based on a constant oil price scenario.

The present worth of the Corporation's worldwide net proved plus probable reserves, discounted at 10%, was determined by independent consultants to be $423 million at December 31, 1999, as compared with $158 million at December 31, 1998 calculated for a constant price scenario. Daily oil production increased 34%, averaging 14,878 barrels of oil per day, compared with 11,102 barrels of oil per day in 1998. Sherritt International ranks among the top seven oil and gas producers in Canada in terms of the production levels achieved for its international operations.

The Corporation has been very successful in applying modern exploration and completion technology to geological basins that have been under-explored in Cuba. The country appears to have a favourable geological setting for massive accumulations of oil and gas. The Corporation has identified several additional, low risk prospects along the north coast heavy oil trend and plans to test some of these prospects to generate new reserves for future development. In addition, management intends to utilize the knowledge base acquired in Cuba to support longer-term growth through selective exploration programs in geologically similar areas. The Corporation's experience in establishing the necessary infrastructure to implement its development program successfully in Cuba now enables it to pursue similar geological opportunities in other international locations.

Oil & Gas

DAILY OIL PRODUCTION INCREASED 34%, AVERAGING 14,878 BARRELS OF OIL PER DAY

The principal properties and related development plans of the Corporation are described below.

CUBA Through a subsidiary, the Corporation holds a 100% working interest in four enhanced production-sharing contracts with the Government of Cuba, encompassing most of the existing oil fields in Cuba. The enhanced production-sharing contracts require the Corporation to provide services and technical assistance to rework and enhance the production of selected wells, or to drill new wells in existing oil fields. In return, the Corporation receives a percentage of the incremental oil production as well as provision for accelerated recovery of its costs.

The Corporation also holds an indirect interest in seven exploration/production-sharing contracts for the development of new oil and gas reservoirs in Cuba, or the extension of the known field boundaries of existing reservoirs using state of the art geological and geophysical exploration techniques. The eleven production-sharing contracts in total cover 3.55 million acres.

Sherritt International is the largest foreign producer of oil in Cuba. In February of 2000, Sherritt surpassed the 25-million barrel mark of operated oil production in Cuba.

Through oil field enhancement projects undertaken since 1992, the Corporation has accumulated an extensive data base of historical geological, engineering and production information from all of the wells in the north coast Cuban oil fields and has gained unparalleled experience in the characterization, technical understanding and management of Cuba's reservoirs.

The Corporation continued the optimization of its oil recovery program and the exploitation of new fields in Cuba. During 1999, Sherritt drilled nine wells in Cuba, resulting in nine oil wells. Three oil wells were drilled in the Puerto Escondido area, one oil well was drilled in the Yumuri area, two wells were completed in Varadero and one well was drilled in the Varadero West contract area. Sherritt also participated in two wells in the Block 7 contract area, Canasi-2 and Seboruco-1.

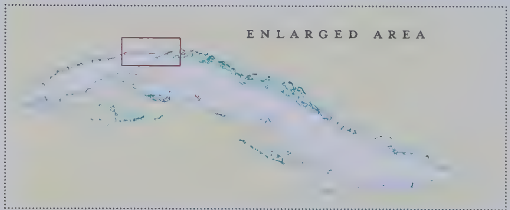
In Varadero, the Corporation drilled and completed the first multi-lateral horizontal well drilled in Cuba.

At the Yumuri oil field, a discovery well was drilled in June 1999, which, upon completion, flowed at a rate of 4,400 barrels of oil per day. A seismic program was shot over the field and the rest of the adjacent area in August 1999. A minimum of two additional development wells are planned during 2000.

In 1999, the Corporation acquired a 45% working interest in Block 7. The Corporation participated in the drilling of two wells in Block 7 in 1999, resulting in the discovery of the Canasi and Seboruco oil fields.

Average daily net oil production increased by 69% from 7,781 barrels in 1998 to 13,143 barrels in 1999. During 1999, the Corporation added eight million barrels of new gross proved reserves at a finding and development cost of $5.03 per barrel.

Oil & Gas Operations in Cuba



SPAIN Through a subsidiary, the Corporation holds a 14.5% working interest in the Casablanca oil field, a 15.6% working interest in the Rodaballo oil field and a 29% interest in the Boqueron oil field, all located in the Gulf of Valencia, offshore Spain. Production from the Corporation's fields in Spain averaged 1,175 barrels of oil per day in 1999, compared with 2,421 barrels of oil per day in 1998, the decrease a result of natural decline. In 1999, the Corporation participated for a 15.6% working interest in the discovery of the Chipiron oil field in the Gulf of Valencia; however, the development of this discovery will depend on the costs and final economics of development.

In 2000, the subsidiary plans to participate in two low risk wells, using the drilling rig permanently located on the Casablanca platform. If successful, production from these wells will start immediately after completion through the Casablanca platform facilities.

ITALY The Corporation sold its 20% indirect working interest in the Vega oil field, located off the southern coast of Sicily, effective December 31, 1999. The terms of the agreement provide that the purchaser will be responsible for all costs and liabilities associated with the decommissioning and abandonment of the permanent production platform in the Vega field. The Corporation intends to sell its remaining indirect interests in onshore producing natural gas properties in Italy. During 1999, oil production averaged 560 barrels of oil per day and natural gas production averaged one million cubic feet per day.

PAKISTAN Through a subsidiary, the Corporation holds a 30% working interest in the Ghauspur Concession in the central Indus Basin. The Government of Pakistan approved a plan of development for the Badar discovery, in the Ghauspur Concession, which tested 21 million cubic feet of natural gas per day. Negotiations are ongoing with a gas transmission company on pricing and the quantity of gas to be produced and sold. The Corporation's share of net proved and probable reserves is estimated to be approximately 19.8 billion cubic feet of natural gas as at December 31, 1999.

INDONESIA Through a subsidiary, the Corporation holds a 5% working interest in a large concession on Seram Island in eastern Indonesia. The operator is planning to place two oil wells, drilled in 1998, into production using an early production system. A plan of development has been submitted and approved by the Government of Indonesia.

The Corporation owns assets that produce fertilizer products, primarily for sale in the Western Canadian market and also provide some of the critical input requirements for the Fort Saskatchewan metals refinery. Revenue is derived primarily from the sale of nitrogen fertilizers, and of sulphate fertilizers produced directly or indirectly as a by-product of the metals refining process.

In 1999, the Fertilizers business incurred an operating loss of $2.7 million on revenue of $57.1 million, compared with operating earnings of $5.7 million on revenue of $63.4 million in 1998. Natural gas is a major input in the production of nitrogen fertilizers. The results reflected higher natural gas costs in Western Canada and lower fertilizer prices in 1999.

In 1999, total fertilizer sales were approximately 307,000 tonnes, compared with 325,000 tonnes in 1998. All fertilizer sales were in the Canadian market. This minimized freight costs and maximized sales margins.

The Fertilizers business incurred capital expenditures of $4.9 million in 1999 to sustain and modernize the production assets. A new distributed control operating system was installed in the ammonia plant during 1999 to improve the efficiency of this production facility, contributing to record ammonia production for the year.

MARKET AND PRICES The Western Canadian ammonia reference price averaged $290 per tonne during 1999, down 12% from the same period last year, consistent with lower international fertilizer prices. The average price for Western Canadian ammonium super sulphate was $205 per tonne during 1999, which was 9% below the price for 1998.

POWER The Corporation owns approximately 49.7% of the common shares of Sherritt Power Corporation ("Sherritt Power") as well as $75 million principal amount of Sherritt Power Notes. Sherritt Power is an independent public company, created to finance, construct and operate power-generating businesses worldwide.

Through a wholly-owned subsidiary, Sherritt Power holds a one-third indirect interest in Energas S.A., which was established to build and operate power-generating facilities in Cuba. The facilities are designed to produce low cost, reliable power, utilizing natural gas from Cuba's petroleum fields.

Two world class power plants, which had a combined installed capacity of 131 megawatts (MW) as at December 31, 1999, have been constructed and commissioned for Energas, one at Varadero and one at Boca de Jaruco. Construction is planned to begin during 2000 on the final phase of the Varadero plant, which will provide an additional 75 MW of net power capacity upon completion, expected in mid-2001. Early in 2000, Sherritt Power began refurbishment of an existing turbine, sited near the Varadero plant, to take advantage of surplus natural gas from the present Varadero operations. This added 20 MW of net power capacity, upon commissioning in March 2000. When all initiatives are completed, Energas will have a total of 226 MW net power capacity.

In the short period of its operations, Sherritt Power has demonstrated its ability to develop, construct and operate power-generating facilities, which could have broad applications worldwide.

COMMUNICATIONS Teléfonos Celulares de Cuba S.A. ("Cubacel") holds the cellular telephone concession in the Republic of Cuba. The Corporation has a 75% interest in a company, whose primary asset is 50% of the outstanding common shares of Cubacel. This gives the Corporation a 37.5% indirect interest in Cubacel. In 1999, Cubacel increased its number of subscribers by approximately 29% over 1998 and recorded growth in revenue and net earnings of approximately 15%. During the year, Cubacel continued its expansion program, starting up service to the Holguin area and improving its coverage between Havana and Varadero. Cubacel received several awards for quality and performance in 1999.

TOURISM Sherritt International holds a 25% indirect interest in the concession for the 400-room Las Americas luxury beach front hotel and bungalow complex. The Las Americas suites and golf resort are located on the Hicacos peninsula in Varadero, Cuba. The Corporation also holds a 12.5% indirect interest in the Hotel Habana, a 420-room, five-star hotel, which provides special amenities for business travellers. The Sol Melia hotel group of Spain manages the business operations of both the Varadero and Havana hotel complexes.

ENVIRONMENT, HEALTH & SAFETY Protection of the environment and workers' safety is an integral part of Sherritt International's operations. The Corporation, through the ongoing commitment of its workforce, continued to strengthen its environmental, health and safety programs, contributing to improved performance over the year.

In the second quarter of 1999, the Corporation entered an agreement to transport and treat liquid effluent from the Fort Saskatchewan site at a regional sewage facility. This transaction has allowed the Fort Saskatchewan site to achieve its objective of no direct discharges into waterways. The Corporation's positive and pro-active environmental policies contributed to an effective working relationship with local and provincial governments, which facilitated this important accomplishment.

The Fort Saskatchewan and Moa sites both achieved health and safety performances that were better than industry averages in 1999, reflecting the commitment of the Metals Enterprise to effective health and safety practices and at Moa, the refurbishment of the operating environment, and the introduction of management practices implemented at Moa.

The oil and gas industry is subject to environmental regulations in all of the jurisdictions in which Sherritt International holds property rights. The extent to which such environmental regulations have been developed may, however, vary from country to country. The Corporation conducts its Oil and Gas business to comply with all applicable environmental regulations. Sherritt International also observes internationally accepted industry environmental management practices.


FINANCIAL REVIEW
99

SUMMARY *of* CONSOLIDATED RESULTS

Consolidated net earnings were $66.6 million or $0.60 per restricted voting share ("share") in 1999 compared with a net loss of $46.0 million or $0.98 per share in 1998. Results for 1998 included a $70.8 million after-tax or $0.98 per share write-down of oil and gas assets. Excluding the impact of this adjustment, consolidated net earnings increased by $41.8 million in 1999 compared with 1998.

Consolidated revenue in 1999 was $372.3 million compared with $312.9 million in 1998, an increase of 19%. Record oil production in Cuba for the third consecutive year and higher realized oil prices contributed to a $47.1 million or 79% increase in revenue from the Oil and Gas business. Revenue from the Metals business increased by $15.7 million or 9%, reflecting record finished nickel and cobalt sales volumes and higher average nickel prices, partly offset by lower average cobalt prices.

Operating, selling, general and administrative costs of $250.7 million were 4% lower than 1998. This decrease, which was achieved in a year of record metals and oil sales volumes, was primarily due to the ongoing efficiency measures realized by the Metals Enterprise.

Depletion and amortization expense increased by 10% in 1999 to $50.4 million. A 34% increase in oil production resulted in a higher depletion expense.

Effective December 31, 1999, the Corporation divested its 20% interest in the Vega concession and oil production platform in Italy. Approximately $4.6 million of additional abandonment and other costs associated with the exiting of operations in Italy were charged to net earnings in 1999.

Financing income of $26.9 million primarily consisted of interest income from cash, short-term investments and loans. The $19.3 million decrease from 1998 was due to lower average cash, short-term investments and loan balances combined with foreign exchange losses.

The Corporation generated cash from operations in 1999 of $90.0 million compared with $113.8 million in 1998. This decrease primarily resulted from higher working capital requirements by Oil and Gas consistent with revenue growth by this business. Total assets at December 31, 1999 were $1.3 billion, of which $386.0 million comprised cash and short-term investments.

METALS

The Metals segment comprises the Corporation's 50% indirect interest in the Metals Enterprise and its marketing and trading activities in commodity metals. The Metals Enterprise is a vertically-integrated commodity nickel/cobalt metals business, comprising mining and associated processing facilities in Moa, Cuba, refining facilities in Fort Saskatchewan, Alberta and international marketing and

sales operations. Refined nickel and cobalt are derived from the treatment of mixed sulphides from Moa, together with some cobalt and nickel-bearing materials from other sources.

thousands of Canadian dollars	1999	1998
Revenue	**$ 193,339**	$ 177,635
Operating earnings	**48,662**	13,908
Capital expenditures	**11,616**	20,615

Revenue increased by 9% to $193.3 million in 1999 compared with 1998. This increase is largely due to higher cobalt and nickel sales volumes. The increase in average nickel prices during the year was largely offset by lower average cobalt prices. Record operating earnings of $48.7 million were achieved in 1999 compared with $13.9 million in 1998. The earnings improvement reflected the continued benefit of efficiency initiatives implemented by the Metals Enterprise, increased production and the increase in revenues.

Canadian dollars per pound	1999	1998
Average Realized Prices		
Nickel	**$ 3.94**	$ 3.06
Cobalt	**19.42**	28.00

Nickel prices on the London Metal Exchange ("LME") rebounded strongly throughout 1999, opening the year at U.S.$1.81 per pound and closing at U.S.$3.83 per pound. The LME average nickel settlement price for 1999 was U.S.$2.73, which represented a 30% increase over the 1998 average of U.S.$2.10 per pound. Recovering international economies, particularly in the Far East, rising demand for stainless steel, the primary end use of nickel, and lower LME nickel inventories contributed to higher prices.

During 1999, Metal Bulletin 99.8% free market cobalt prices traded in a range between U.S.$7.80 per pound and U.S.$23.00 per pound, averaging U.S.$16.81 per pound for the year, approximately 22% lower than the average price for 1998. The broad trading range primarily reflected increased supply from a number of Western producers and uncertainty with respect to the commissioning of new international laterite projects.

	1999	1998
Volumes *(1)*		
Sales *(thousands of pounds)*		
Nickel	**31,623**	29,752
Cobalt	**3,390**	2,830
Production *(tonnes)*		
Mixed sulphides *(2)*	**13,510**	13,533
Nickel	**14,322**	13,717
Cobalt	**1,385**	1,322

(1) Comprises the Corporation's 50% share of the Metals Enterprise and Sherritt's marketing and trading activities.
(2) Nickel and cobalt contained.

The Fort Saskatchewan refinery set production records for both nickel and cobalt for the fourth consecutive year. Total finished nickel production for 1999 was 28,643 tonnes, 4% above the record production of 27,434 tonnes established in 1998. Total finished cobalt production of 2,770 tonnes in 1999 surpassed last year's total finished cobalt production of 2,645 tonnes by 5%. The ongoing debottlenecking program contributed to the record production. A new quarterly production record of 7,045 tonnes of nickel plus cobalt contained in mixed sulphides was achieved by the Moa mining facilities in the fourth quarter of 1999, contributing to total production of 27,020 tonnes for the year. This production was essentially unchanged from the 27,066 tonnes produced in 1998.

Capital expenditures were primarily directed towards incremental production improvements and sustaining plant operations.

OIL *and* GAS

During 1999, oil was produced from fields in Cuba, Spain and Italy and natural gas in Italy. The Corporation also has interests in exploration acreage in Cuba and Spain and a number of other countries, including Pakistan and Indonesia.

thousands of Canadian dollars	1999	1998
Revenue	**$ 106,511**	$ 59,388
Operating earnings (loss) before asset write-down	**39,143**	(1,185)
Operating earnings (loss) after asset write-down	**39,143**	(73,435)
Capital expenditures	**51,718**	97,482

Revenue from the Oil and Gas business increased by 79% to $106.5 million in 1999, reflecting record oil production volumes and higher realized prices. Oil production increased by 34% in 1999 to 5.4 million barrels. These factors also contributed to record operating earnings for 1999. Operating earnings included approximately $4.6 million of additional abandonment and other costs associated with exiting the operations in Italy.

The average realized oil price increased by 44% from $13.31 per barrel in 1998 to $19.21 per barrel in 1999. The U.S. Gulf Coast Fuel Oil No. 6 reference price averaged U.S.$14.30 per barrel in 1999 compared with U.S. $9.67 per barrel in 1998.

	1999	1998
Daily Volumes		
Oil *(barrels)*		
Cuba	**13,143**	7,781
Spain	**1,175**	2,421
Italy	**560**	900
Total	**14,878**	11,102

Approximately 81% of Oil and Gas revenue was derived from oil production in Cuba. Average net oil production in Cuba of 13,143 barrels per day was 69% higher than 1998 and represented a new production record for the third consecutive year. Approximately 69% of this increase arose from new wells in the Puerto Escondido and Varadero West blocks and the full year impact of production from these blocks. Production from new wells in Yumuri, Canasi and Seboruco, on the north coast of Cuba, commenced during 1999 and contributed to the remainder of the overall increase in production from Cuba. Natural declines resulted in a 48% decrease in production from Spain and Italy. Net production at the end of 1999 was approximately 16,686 barrels per day compared with 12,806 barrels per day at the end of 1998. In Italy, the Vega field interest was relinquished in 1999.

Depletion and amortization increased by $3.7 million in 1999 to $31.3 million reflecting the increase in production. On a per barrel of equivalent oil basis, depletion and amortization decreased by 15% to $5.70 per barrel.

Approximately 78% of capital expenditures were incurred in Cuba and were directed toward development operations in the existing fields and exploration programs. These included six development wells and three successful exploratory wells. In Spain, oil was discovered from an offshore exploratory well, Chipiron, which tested at a rate of 7,100 barrels per day of sweet light oil. Development of this discovery, in which the Corporation has a 15.6% interest, will depend on the costs and the final economics of development. The Corporation's proved gross reserve base in Cuba increased by approximately eight million barrels in 1999. The average cost for finding and developing reserves in Cuba during 1999 was $5.03 per barrel.

FERTILIZERS

The Corporation owns assets that produce fertilizer products primarily for sale into the Western Canadian market and provide some of the input requirements for the Fort Saskatchewan metals refinery. Revenue is derived primarily from the sale of nitrogen fertilizers, and sulphate fertilizers produced directly or indirectly as a by-product of the metals refining process.

thousands of Canadian dollars	1999	1998
Revenue	**$ 57,134**	$ 63,423
Operating earnings (loss)	**(2,696)**	5,700
Capital expenditures	**4,861**	8,320

An operating loss of $2.7 million was recorded on revenues of $57.1 million in 1999 compared with operating earnings of $5.7 million on revenue of $63.4 million in 1998. The results reflected higher natural gas costs and lower fertilizer prices in 1999. Capital expenditures of $4.9 million were incurred to sustain and upgrade the productive capacity of the assets.

Gross fertilizer production was 400,599 tonnes for 1999, compared with 400,026 tonnes in 1998. An ongoing debottlenecking program contributed to a new annual production record for ammonia in 1999.

Demand for fertilizers is seasonal and is highest during the spring application season. The 1999 average Western Canadian ammonia reference price of $290 per tonne was 12% below the 1998 average price. Average prices for Western Canadian ammonium super sulphate were $205 per tonne

in 1999, 9% lower than the 1998 average price. Lower fertilizer prices in Western Canada were consistent with lower international prices for nitrogen fertilizer. The Alberta reference price for natural gas, the major input into the production of fertilizers increased by 42% in 1999 compared with 1998.

OTHER

This segment includes the Corporation's power-generation, communications, soybean processing, tourism and agriculture investments in Cuba. The Corporation's power-generation investment comprises its 49.7% interest in the shares of Sherritt Power Corporation ("Sherritt Power"). The Corporation's investment in communications comprises an indirect 37.5% investment in Teléfonos Celulares de Cuba S.A. ("Cubacel"). Its soybean processing investment comprises a 49% indirect interest in a joint venture which is constructing and will operate a soybean processing plant in Cuba. Tourism investments comprise a 25% indirect interest in a resort hotel in Varadero, Cuba and a 12.5% indirect interest in a hotel in Havana, Cuba. The Corporation also has a 50% indirect interest in a 200 hectare market garden business in Cuba.

thousands of Canadian dollars	1999	1998
Revenue	$ 15,362	$ 12,429
Operating earnings	3,852	4,176
Share of loss of equity investments	1,275	1,716
Capital expenditures	19,004	26,108

Cubacel's revenue and net earnings increased by approximately 15% in 1999 compared with 1998, reflecting a 29% increase in the number of subscribers. The share of loss of equity investments in 1999 comprised the Corporation's 49.7% share of Sherritt Power's net loss, income from tourism investments and a write-down in the Sherritt Green investment. At the end of 1999, the power projects undertaken by Sherritt Power had a total installed capacity of 131 MW. In early 2000, Sherritt Power began refurbishment of an existing gas turbine located near the present Varadero operations, which added 20 MW of net power capacity upon commissioning in March 2000.

LIQUIDITY *and* CAPITAL RESOURCES

Cash and short-term investments at December 31, 1999 totalled $386.0 million compared with $510.4 million at the end of 1998. The Corporation generated cash from operations in 1999 of $90.0 million compared with $113.8 million in 1998. The decrease primarily resulted from higher working capital requirements by Oil and Gas consistent with higher revenue generated by this business.

During the year, the Corporation invested approximately $63.1 million to acquire approximately 9% of the outstanding common shares of Anaconda Nickel Limited, an Australian public company whose principal assets are the Murrin Murrin lateritic nickel/cobalt reserves and refining facilities in Western Australia. The investment in Anaconda Nickel combined with debenture interest payments and

capital expenditures were the major uses of cash during the year. Loans and advances of approximately $43.0 million were also made during the year to finance the construction of a new soybean processing plant in Cuba and other construction and expansion projects.

The Metals Enterprise has an external revolving line of credit of $75.0 million, of which $11.0 million was outstanding at December 31, 1999.

In order to maintain sufficient flexibility to make long-term strategic investments, the Corporation invested excess funds in short-term liquid Canadian marketable securities, most of which comprised Government of Canada and Canadian provincial government obligations. The agreements establishing the various joint ventures in which the Corporation has an interest require the unanimous consent of shareholders to pay dividends. The Corporation does not believe that these restrictions will have a material impact on its ability to meet its obligations. Cash generated from operations and cash and short-term investments on hand are expected to be sufficient to finance ongoing future operations and business growth.

The Corporation received dividends of $18.7 million during the year from its joint venture investments. The Corporation did not pay any cash dividends during 1999.

RISKS *and* UNCERTAINTIES

The Corporation's current businesses include the production, refining and marketing of nickel and cobalt and the production of oil and gas and fertilizers. Revenues and earnings from the sale of these commodities in world markets are sensitive to changes in market prices over which the Corporation has little or no control. The Corporation has the ability to address its price-related exposures through the limited use of options, futures and forward contracts. Many of the Corporation's businesses operate in currencies other than Canadian dollars. The Corporation is also sensitive to foreign exchange exposures when commitments are made to deliver products quoted in foreign currencies or when the contract currency is different from the product price currency. Foreign exchange contracts may be used by the Corporation to manage these exposures.

A significant portion of the assets in which the Corporation has an indirect interest are located in Cuba. The Cuban Government's future policies relating to foreign investors and foreign exchange payments could be affected by the political environment and economic pressure resulting from its limited access to foreign exchange. The Corporation is entitled to the benefit of certain assurances received from the Government of Cuba and certain agencies of the Government of Cuba that protect it from adverse changes in law, although such changes remain beyond the control of the Corporation and the effect of any such changes cannot be accurately predicted.

The Corporation will continue to be affected by the difficult political relationship between the United States and Cuba. The United States prohibits U.S. citizens from engaging in virtually all transactions involving Cuba. The U.S. embargo thus limits the Corporation's access to U.S. capital, finance, customers and suppliers.

Under the HELMS-BURTON ACT, a law enacted in the United States in March 1996, U.S. citizens whose property was "confiscated", without compensation, by the Government of Cuba are entitled to sue, for up to treble damages, anyone who uses, profits from, or otherwise "traffics" in the "confiscated"

property. The HELMS-BURTON ACT authorizes the President of the United States to suspend indefinitely, for successive periods of six months or less, the right to file HELMS-BURTON ACT lawsuits. Effective February 2000, the President had suspended for the eighth successive six-month period the right to file any such lawsuits, currently through at least July 2000. By mid-July 2000, the President must announce whether he will renew that suspension for another period of up to six months. The President has expressed his intention to continue suspending the right to file suits.

Over the years, the Corporation has received letters from U.S. citizens claiming ownership of certain Cuban properties or rights in which the Corporation has an indirect interest, and explicitly or implicitly threatening litigation. The 1996 law would permit litigation against the Corporation if the suspension of the right to file lawsuits is not renewed. Because HELMS-BURTON ACT lawsuits have not been authorized by the President, the interpretation of the law by the U.S. courts is uncertain. Uncertainties over the interpretation of the HELMS-BURTON ACT may impose limitations on the Corporation's non-Cuban operations and on third parties that deal with the Corporation, thus affecting its commercial relationships.

Neither the Corporation nor its subsidiaries hold assets located in the United States. In addition, the FOREIGN EXTRATERRITORIAL MEASURES ACT (Canada) was amended as of January 1, 1997 to provide that any judgement given under the HELMS-BURTON ACT shall not be recognized or enforceable in any manner in Canada. The amendments permit the Attorney General of Canada to declare, by order, that a Canadian corporation may sue for and recover in Canada any loss or damage it may have suffered by reason of the enforcement of a HELMS-BURTON ACT judgement abroad. In such a proceeding, the Canadian court could order the seizure and sale of any property in which the defendant has a direct or indirect beneficial interest, or the property of any person who controls or is a member of a group of persons that controls, in law or in fact, the defendant. The property seized and sold could include shares of any corporation incorporated under a law of Canada or a province.

Canada has also responded to the HELMS-BURTON ACT through diplomatic channels and through remedies under multilateral trade agreements. Other countries, such as the members of the European Union and the Organization of American States, have expressed their strong opposition to the HELMS-BURTON ACT and, like Canada, are taking or considering steps, both domestically and multilaterally, to counter its effect.

In July 1996, the Corporation and others were sued by Consolidated Development Corporation ("Consolidated"), a U.S. entity purporting to be the former owner of certain petroleum exploration rights and interests in lands in Cuba in respect of which the Corporation allegedly has certain rights and interests. This suit was not filed under the HELMS-BURTON ACT. The suit was dismissed by a U.S. court in

July 1997, and judgement was entered in favour of the Corporation in October 1997. Consolidated has appealed, and the appeal was heard in November 1999. Judgement is under reserve. The Corporation considers the lawsuit to be without merit and does not believe that its outcome will materially affect the Corporation.

More generally, the U.S. embargo, adverse developments in U.S. law, and underlying political tensions between the United States and Cuba are matters beyond the Corporation's control.

YEAR 2000

The Corporation defines "year 2000 compliance" or "year 2000 compliant" to mean that all key software driven technology, computer hardware and firmware, and embedded microchip technology used in its businesses accurately process date/time data (including, but not limited to, calculating, comparing and sequencing) from the year 1999 and into the year 2000 and beyond and leap year calculations.

The Corporation concluded in 1998 that, in the event of any year 2000 related problems and absent any remediation efforts, it would be most vulnerable in its Metals, Oil and Gas and Fertilizer businesses due to their significant contributions to the Corporation's revenues and their dependence on computer information systems. The Corporation also believed its power-generation and communications businesses to be vulnerable to year 2000 issues given their dependence on technology. Third party suppliers and service providers dependent on microchip technology were also considered potential risks for the Corporation.

The Corporation established a Y2K Project Team, which implemented a coordinated action plan to deal with any potential year 2000 problems. During 1999, the Corporation, subsidiaries, affiliates, its operating divisions and joint venture operations identified systems or components which might not be year 2000 compliant and replaced them with year 2000 compliant systems or components. These replacements were tested during 1999 and will continue to be tested periodically during 2000.

The Corporation, its subsidiaries, affiliates, operating divisions and joint venture operations experienced no year 2000 related problems on the rollover from 1999 to 2000 and have experienced no such problems during 2000 to date. The Y2K Project Team established by the Corporation will remain active throughout 2000 to ensure that the Corporation, its subsidiaries, affiliates, operating divisions and joint venture operations are prepared for any year 2000 issues and will continue to rely on existing contingency plans which were developed in 1999.

The total cost to the Corporation of its year 2000 remediation efforts was $3.0 million, of which $0.4 million represented operating costs that were expensed as incurred and $2.6 million represented capital costs which will be amortized over their estimated useful life. These amounts are lower than the Corporation's original estimate.

A remote possibility exists that year 2000 problems may arise either within the systems of the Corporation and its subsidiaries, affiliates, operating divisions and joint venture operations or those of its suppliers or service providers. Such problems may or may not have a material impact on the Corporation and its results in the coming months.

SENSITIVITIES

The following table identifies the approximate sensitivity of the Corporation's 1999 results to selected product prices and volumes, and exchange rates.

Factor	Change	Approximate Annual Change in Net Earnings *(millions of dollars)*	Approximate Annual Change in Basic EPS
Prices			
Nickel – LME price per pound	U.S.$ 0.10	$ 2.4	$ 0.03
Cobalt – Metal Bulletin price per pound	U.S.$ 1.00	2.4	0.03
Oil – W.T.I. price per barrel	U.S.$ 1.00	6.5	0.09
Volumes			
Nickel – pounds	1,000,000	0.4	0.01
Cobalt – pounds	100,000	0.1	–
Oil – barrels	100,000	0.8	0.01
Exchange Rate			
U.S. to Canadian $	U.S.$ 0.01	1.9	0.03

MANAGEMENT REPORT

Management is responsible for the preparation of the accompanying consolidated financial statements of the Corporation in accordance with generally accepted accounting principles, and for its discussion and analysis of results and financial condition, which information is consistent with the financial statements. Systems of internal control are maintained by the Corporation to provide reasonable assurance of the completeness and accuracy of the financial information. These systems include the delegation of authority and segregation of responsibilities among qualified personnel in accordance with operating and financial policies and procedures. The Board of Directors appoints an Audit Committee which meets with representatives of the Corporation's financial personnel and the Corporation's independent auditors. The Committee reviews the Corporation's accounting policies and the scope and the results of the independent auditors' examination of the Corporation's financial statements. The Corporation also has an internal audit function that evaluates and formally reports to management and the Audit Committee on the adequacy and effectiveness of internal controls. The independent auditors, who are appointed by the shareholders, examine and report on the financial statements of the Corporation in accordance with generally accepted auditing standards. The auditors' report to the shareholders of the Corporation is set out below. The accompanying consolidated financial statements have been reviewed and approved by the Board of Directors and the Audit Committee.

Frederic J. Wellhauser
President and Chief Executive Officer

H McGregor

Halina B. McGregor
Senior Vice President, Finance and Chief Financial Officer

February 24, 2000

AUDITORS' REPORT

To the Shareholders of Sherritt International Corporation:

We have audited the consolidated balance sheets of Sherritt International Corporation as at December 31, 1999 and 1998 and the consolidated statements of operations, retained earnings (deficit) and cash flow for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP
Toronto, Canada
February 24, 2000

CONSOLIDATED BALANCE SHEETS

as at December 31

thousands of Canadian dollars	1999	1998
Assets		
Current assets		
Cash and short-term investments *(note 12)*	$ 386,018	$ 510,391
Advance and loans receivable *(note 6)*	13,739	5,827
Accounts receivable	126,813	77,491
Inventories *(note 3)*	76,131	79,182
Prepaid expenses	6,400	8,216
	609,101	681,107
Capital assets *(note 4)*	460,455	420,775
Investments *(note 5)*	174,033	112,786
Future income taxes	13,357	4,401
Other assets *(note 6)*	86,009	74,009
	$ 1,342,955	$ 1,293,078
Liabilities and shareholders' equity		
Current liabilities		
Short-term indebtedness *(note 12)*	$ 9,283	$ 7,043
Accounts payable and accrued liabilities	88,752	81,901
Site restoration and abandonment *(note 7)*	8,280	–
	106,315	88,944
Site restoration and abandonment *(note 7)*	23,239	27,338
Future income taxes	8,197	14,190
Minority interest	2,377	3,156
	140,128	133,628
Shareholders' equity		
Convertible debentures *(note 8)*	660,729	660,729
Capital stock *(note 9)*	548,997	548,607
Deficit	(6,899)	(49,886)
	1,202,827	1,159,450
	$ 1,342,955	$ 1,293,078

Approved on behalf of the Board

Ian W. Delaney
Director

Daniel P. Owen
Director

CONSOLIDATED STATEMENTS OF OPERATIONS

year ended December 31

thousands of Canadian dollars except per share amounts	1999	1998
Revenue	$ 372,346	$ 312,875
Expenses and other income		
Operating, selling, general and administrative	250,701	262,107
Depletion and amortization	50,379	45,759
Amortization of goodwill *(note 6)*	1,236	1,031
Reduction in carrying value of capital assets *(note 4)*	–	72,250
Provision for site restoration and abandonment *(note 7)*	4,181	2,764
Share of loss of equity investments	1,275	1,716
Financing income, net *(note 10)*	(26,924)	(46,176)
Minority interest	1,178	939
Earnings (loss) before taxes	90,320	(27,515)
Taxes *(note 11)*		
Current	17,592	3,425
Future	6,127	15,055
	23,719	18,480
Net earnings (loss)	66,601	(45,995)
Interest on convertible debentures *(note 8)*	(23,614)	(24,692)
Net earnings (loss) applicable to restricted voting shares	$ 42,987	$ (70,687)
Earnings (loss) per restricted voting share *(note 9)*		
Basic	$ 0.60	$ (0.98)
Fully diluted	0.43	–

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)

year ended December 31

thousands of Canadian dollars	1999	1998
Beginning of year	$ (49,886)	$ 20,801
Net earnings (loss)	66,601	(45,995)
Interest on convertible debentures *(note 8)*	(23,614)	(24,692)
End of year	$ (6,899)	$ (49,886)

CONSOLIDATED STATEMENTS OF CASH FLOW

year ended December 31

thousands of Canadian dollars	1999	1998
Operating activities		
Net earnings (loss)	$ 66,601	$ (45,995)
Items not affecting cash		
Depletion and amortization	50,379	45,759
Amortization of goodwill	1,236	1,031
Provision for site restoration and abandonment	4,181	2,764
Reduction in carrying value of capital assets *(note 4)*	–	72,250
Future income taxes	6,127	15,055
Other items	(941)	2,494
Cash provided before working capital changes	127,583	93,358
Decrease (increase) in non-cash working capital		
Accounts receivable	(49,322)	(1,096)
Inventories	3,051	5,923
Prepaid expenses	1,816	(1,008)
Accounts payable and accrued liabilities	6,851	16,602
	(37,604)	20,421
Cash provided by operating activities	89,979	113,779
Investing activities		
Capital expenditures	(87,818)	(156,609)
Acquisition of business *(note 14)*	–	(55,050)
Investments	(62,480)	(96,141)
Other assets	(24,227)	136,742
Cash used for investing activities	(174,525)	(171,058)
Financing activities		
Short-term indebtedness	2,240	7,043
Convertible debenture interest payments *(note 8)*	(40,500)	(40,500)
Dividend paid to minority shareholder	(1,957)	–
Issue of restricted voting shares	390	621
Cash used for financing activities	(39,827)	(32,836)
Decrease in net cash	(124,373)	(90,115)
Net cash at beginning of year	510,391	600,506
Net cash at end of year	$ 386,018	$ 510,391

Net cash consists of cash and short-term investments.

In 1999, the Corporation received interest of $37.4 million (1998 – $45.1 million) and paid income taxes of $6.5 million (1998 – $3.9 million).

1} SUMMARY *of* SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, including the following:

a} *Principles of consolidation:* The consolidated financial statements include the financial position, results of operations, and cash flow of Sherritt International Corporation ("the Corporation"), its subsidiaries, and its proportionate interest in joint ventures which include certain of the Corporation's oil and gas activities conducted jointly with others. Other entities which are not controlled, but over which the Corporation has the ability to exercise significant influence, are accounted for using the equity method of accounting. Investments in which the Corporation does not have significant influence are accounted for using the cost method of accounting.

b} *Translation of foreign currencies:* Transactions in foreign currencies are translated into Canadian dollars at rates of exchange at the time of such transactions. Monetary assets and liabilities are translated at current rates of exchange. The unrealized translation gains or losses on long-term monetary items are recognized over the remaining term of these items. Foreign operations are considered integrated and are translated into Canadian dollars using current rates of exchange for monetary assets and liabilities, historical rates of exchange for non-monetary assets and liabilities, and average rates for revenues and expenses, except depletion and amortization which are translated at the rates of exchange applicable to the related assets. Gains or losses resulting from these translation adjustments are included in income.

c} *Inventory valuation:* Finished products, raw materials and materials in process are valued at the lower of average cost and net realizable value. Spare parts and operating materials are valued at the lower of average cost and replacement cost.

d} *Capital assets:*

i} CAPITALIZATION Capital assets are stated at cost, which includes capitalized interest.

In mining operations, costs of exploring for new ore occurrences are charged to earnings in the period in which they are incurred. Development costs relating to new ore occurrences are deferred until production commences.

In oil and gas operations, the Corporation follows the full cost method of accounting, whereby all costs associated with the exploration and development of oil and gas reserves are capitalized in cost centres on a country-by-country basis. These costs include land acquisitions, drilling of productive and non-productive wells, geological and geophysical surveys, and overhead expenses related to exploration and development activities. Costs associated with dry or abandoned wells on proved properties in producing cost centres are charged to the full cost pool and subjected to depletion.

Expenditures, net of revenues, incurred in cost centres which are in the preproduction stage of development are capitalized until such time as planned significant operations commence. The recovery of the Corporation's investments in preproduction stage cost centres is subject to finding and producing oil and gas reserves in economic quantities. The Corporation periodically reviews the costs associated with unproved properties and preproduction stage cost centres to determine whether they are likely to be recovered. When costs are not likely to be recovered, an impairment allowance is made.

Proceeds from the disposition of petroleum and natural gas properties are accounted for as a reduction in capitalized costs, with no gain or loss recognized unless such disposition would alter the depletion rate by more than 20%.

ii) CEILING TEST Under the full cost method of accounting, the net carrying cost of oil and gas properties is limited to an estimated recoverable amount. This amount is the aggregate of future net revenues from the proved reserves and the costs of undeveloped properties, net of impairment allowances, less costs to develop proved undeveloped properties, future general and administrative costs, site restoration and abandonment costs, financing costs, and income taxes. Future net revenues are calculated using current or contracted prices, where applicable, that are not escalated or discounted. Independent engineers have evaluated or reviewed estimates of proved developed and undeveloped reserves and related future net revenues and development costs.

iii) DEPLETION AND AMORTIZATION Processing, refining, and manufacturing facilities are amortized using the straight-line method based on estimated useful lives. Such lives are generally limited to a maximum of 20 years.

Mine reserves are depleted over the estimated reserve life using the unit of production method. Oil and gas properties and equipment are depleted using the unit of production method for proved developed and undeveloped properties. Management periodically reviews its estimates of proved reserves and reflects the appropriate adjustments in the depletion calculation.

e) *Site restoration and abandonment costs:* Site restoration and abandonment costs are provided for when reasonably determinable by a systematic charge to earnings. Provisions are based upon engineering estimates of costs, taking into consideration the anticipated method and extent of remediation consistent with legal requirements, industry practices, current technology and the possible uses of the site.

f) *Intangible assets:* Goodwill and the cellular telephone concession are amortized over their estimated useful lives of 15 years. Management periodically assesses the value of goodwill and the cellular telephone concession by considering current operating results, trends and prospects.

g) *Financial instruments:* The Corporation does not generally enter into fixed price contracts for the sale of commodities. Options, futures, swaps and forward contracts may be used to hedge the effect of changes in prices of nickel and oil. The Corporation operates internationally and is exposed to risks from changes in foreign currency exchange rates. Foreign currency forward contracts may be used to hedge the effect of exchange rate changes. Gains and losses on these contracts are reported as a component of the related transaction. The value of these contracts are marked to market with the resulting gains and losses included in income. The Corporation may be exposed to losses if the counterparties to the above contracts fail to perform. The Corporation manages this risk by dealing only with financially sound counterparties and by establishing dollar and term limitations for each counterparty.

Short-term investments primarily comprise liquid investments in government treasury bills, bankers' acceptances and bearer deposit notes of authorized banks and other appropriately rated commercial paper. Investment guidelines approved by the Board of Directors limit the amount of credit exposure to any one entity.

h) *Income taxes:* The Corporation follows the liability method of accounting for income taxes. Future income taxes reflect the tax effect of differences between the book and tax basis of assets and liabilities.

i) *Stock-based compensation plans:* The Corporation has three stock-based compensation plans, which are described in Note 9. No compensation expense is recognized when stock options are issued under the Employee and Director Stock Option Plan or stock issued under the Employee Share Purchase Plan. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to capital stock. Shares issued under the Incentive Savings Plan are included as part of compensation expense.

j} *Estimates:* Financial statements prepared in accordance with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

k} *Comparative amounts:* Certain comparative amounts have been reclassified to conform to the current year's presentation.

2} INTEREST *in* JOINT VENTURES

Joint ventures comprise the Corporation's 50% indirect interest in the Metals Enterprise, comprising a mining and processing facility in Moa, Cuba, a metals refinery in Fort Saskatchewan, Alberta and a marketing operation; a 37.5% indirect interest in Teléfonos Celulares de Cuba S.A. ("Cubacel") (note 14); and a 49% indirect interest in Procesadora de Soya S.A. ("P.D.S."), a soybean processing facility currently under construction in Santiago de Cuba, Cuba.

The Corporation's interest in joint ventures is summarized below:

	1999	1998
Consolidated Balance Sheets		
Current assets	$ 98,147	$ 83,198
Long-term assets	212,379	197,822
Current liabilities	34,980	25,615
Long-term liabilities	22,768	21,849
Consolidated Statements of Operations		
Revenue	$ 203,511	$ 172,097
Expense	174,487	169,022
Net earnings	29,024	3,075
Consolidated Statements of Cash Flow		
Cash provided by operating activities	$ 58,316	$ 37,176
Cash used for investing activities	26,281	22,950
Cash provided by (used for) financing activities	(2,562)	7,043

3} INVENTORIES

	1999	1998
Raw materials	$ 5,639	$ 2,612
Materials in process	19,176	22,962
Finished product	17,806	26,409
Spare parts and operating materials	33,510	27,199
	$ 76,131	$ 79,182

all tabular amounts expressed in thousands of Canadian dollars

4} CAPITAL ASSETS

	Cost	Accumulated Amortization and Depletion	Net Book Value 1999	Net Book Value 1998
Oil and Gas	$ 665,953	$ 448,081	$ 217,872	$ 197,473
Metals	151,599	32,987	118,612	115,463
Mine reserves	36,203	7,891	28,312	29,959
Fertilizers	26,317	2,065	24,252	20,272
Other	86,995	15,588	71,407	57,608
	$ 967,067	$ 506,612	$ 460,455	$ 420,775

The carrying value of unproved oil and gas properties in producing cost centres at December 31, 1999 was $2.6 million (1998 – $2.7 million). The carrying value of pre-production cost centres at December 31, 1999 was $8.0 million (1998 – $8.9 million). The amount of general and administrative expenses capitalized in 1999 was $9.2 million (1998 – $13.5 million).

In 1998, the Corporation wrote down the carrying value of its oil and gas assets by $72.3 million ($70.8 million after-tax).

Included in capital assets is $15.3 million related to assets under construction. These assets are not subject to amortization.

5} INVESTMENTS

	1999	1998
Power-generation *(a)*	$ 89,606	$ 91,655
Tourism *(b)*	20,987	20,330
Metals *(c)*	63,094	–
Other	346	801
	$ 174,033	$ 112,786

a} In February 1998, a subsidiary of the Corporation sold its interest in a project to build and operate gas plants in Cuba to Sherritt Power Corporation ("Sherritt Power") for an amount comprising costs incurred in financing construction of the gas plants. Sherritt Power's purchase of the project was financed by a public offering of 150,000 Units, each comprising one $1,000 principal amount 11.5% Senior Unsecured Amortizing Note, due 2004 ("Senior Notes"), and 27 common shares. Separately, the Corporation subscribed for $20 million of common shares and $75 million of Senior Notes of Sherritt Power. Following completion of these transactions, the Corporation owned approximately 49.7% of the common shares of Sherritt Power. This investment is accounted for using the equity method of accounting.

b} The Corporation has a 25% indirect interest in a hotel complex in Varadero, Cuba, as well as a 12.5% indirect interest in a hotel complex in Havana, Cuba, which commenced operations in 1998. Both investments are accounted for as long-term investments using the equity method of accounting.

c) The Corporation's investment in Anaconda Nickel Limited ("Anaconda"), a mining company listed on the Australian Stock Exchange, is accounted for using the cost method of accounting.

6) OTHER ASSETS

	1999	1998
Advance receivable *(a)*	$ 13,295	$ –
Loans receivable *(b)*	21,340	10,545
Cellular telephone concession *(c)*	26,268	28,262
Goodwill *(c)*	16,298	17,534
Deposits *(d)*	5,087	5,624
Deferred debenture interest *(note 8)*	14,877	17,017
Other	2,583	854
	99,748	79,836
Current portion of advance and loans receivable	13,739	5,827
	$ 86,009	$ 74,009

a) A subsidiary of the Corporation has advanced approximately $13.3 million to an agency of the Cuban Government to finance construction of facilities for the gathering, storage, treatment and transportation of crude oil from fields, in which the Corporation is currently producing oil. Future obligations of the Corporation to this Cuban agency for treatment and transportation costs for production from these fields will be offset against this advance.

b) A subsidiary of the Corporation has entered into, as lender, an interest-bearing $24 million financing agreement and an interest-bearing $16 million revolving credit facility with P.D.S. for the construction of a new soybean processing plant in Cuba and to fund working capital requirements. At December 31, 1999, the proportionate amount outstanding under these agreements was approximately $15.2 million. The loans are repayable from the cash flows of P.D.S. Title to the plant remains with the subsidiary of the Corporation until repayment of the loans.

A subsidiary of the Corporation has an interest-bearing secured term facility with Cubacel to finance the purchase of equipment. The proportionate amount outstanding at December 31, 1999 was $6.1 million.

Loan facilities previously extended to the Metals Enterprise by subsidiaries of the Corporation were repaid in full during the year and expired on December 31, 1999.

c) Cellular telephone concession and goodwill are net of amortization of $3.7 million (1998 – $1.7 million) and $2.2 million (1998 – $1.0 million) respectively.

d) The Corporation has a term deposit with a Spanish bank to cover the estimated abandonment costs of oil production facilities in Spain. The deposit matures in 2002 and had an effective interest rate in 1999 of 1.7 % (1998 – 3.3%).

all tabular amounts expressed in thousands of Canadian dollars

7} SITE RESTORATION *and* ABANDONMENT

	1999	1998
Balance, beginning of year	**$ 27,338**	$ 24,574
Provision	**4,181**	2,764
Balance, end of year	**31,519**	27,338
Payable within one year	**8,280**	–
	$ 23,239	$ 27,338

Effective December 31, 1999, the Corporation divested its 20% interest in the Vega concession and platform in Italy. As part of the agreement to withdraw from this property, the Corporation agreed to pay its partner 11 billion Lira (Cdn.$8.3 million) before March 31, 2000 as a contribution of costs to be borne by the partner for well plugging and decommissioning equipment relating to the Vega platform. Under the terms of the agreement, the Corporation will be indemnified against all future environmental liabilities, including the decommissioning of the Vega platform.

Management's estimate of requirements for site restoration and abandonment liabilities are based on current contracts and regulations, which may be changed over the course of time. Such events could result in significant changes in these provisions.

8} CONVERTIBLE DEBENTURES

In November 1996, the Corporation issued $675 million of 6% convertible unsecured subordinated debentures. The debentures have a maturity date of December 15, 2006, and are convertible at the option of the holder into restricted voting shares of the Corporation at a conversion price of $8.775 per restricted voting share. Interest payments on the debentures are made on June 15 and December 15. The convertible debentures are redeemable, provided that the trading price of the Corporation's restricted voting shares reaches certain levels. Subject to regulatory approval, the Corporation may, at its option, satisfy the obligation to pay interest on the convertible debentures or repay the principal amount of the convertible debentures on redemption or at maturity in restricted voting shares. The convertible debentures are included as part of shareholders' equity and are stated net of issue costs less applicable tax relief.

The convertible debentures were distributed on an instalment basis with the final instalment of $337.5 million received on December 1, 1997. Interest payable to debenture holders was determined on the $675 million outstanding from the date of issue. Deferred debenture interest included in other assets of $14.9 million (1998 – $17.0 million) represents the portion of interest relating to the final instalment, which was deferred and is being amortized through retained earnings over the term of the debentures. Accordingly, the effective interest rate of the debentures is 6.32%.

Interest on the convertible debentures is stated net of tax relief of $19.0 million (1998 – $17.9 million).

9} CAPITAL STOCK

The Corporation's authorized share capital consists of an unlimited number of restricted voting shares plus 100 multiple voting shares.

Ian W. Delaney, the Chairman of the Board, holds all of the multiple voting shares, giving him sufficient votes to elect a majority of the directors to the Board, subject to limitations contained in the articles of incorporation of the Corporation. These limitations include provisions that the multiple voting shares are non-transferable, are not entitled to any dividends or distributions of assets and are automatically converted into restricted voting shares on a share-per-share basis upon the occurrence of certain events.

Holders of the restricted voting shares are entitled to receive dividends and distributions of assets. The Corporation's outstanding restricted voting shares are as follows:

	Number		Stated Capital	
	1999	1998	1999	1998
Beginning of year	72,139,236	72,017,316	$ 548,607	$ 547,986
Issued during the year	129,833	121,920	390	621
End of year	72,269,069	72,139,236	$ 548,997	$ 548,607

If all of the convertible debentures are converted into shares at the option of the holders, up to 76,923,076 additional restricted voting shares may be issued on or before December 14, 2006.

The earnings per share calculations are based upon the weighted average number of shares outstanding of 72,214,858 shares (1998 – 72,048,675 shares). The calculation of fully diluted earnings per share assumes the conversion of the convertible debentures at the beginning of the year and assumes that stock options were exercised when granted. The calculation of fully diluted earnings per share is not disclosed for 1998 as the aforementioned conversions were not dilutive.

The Corporation established an Employee and Director Stock Option Plan (the "Option Plan") in 1995 to govern the granting of certain options to purchase restricted voting shares in the Corporation. The current maximum number of options which may be issued under the Option Plan is 6,784,670. Under the Option Plan, the exercise price of each option equals the closing market price of the Corporation's stock on the day prior to the date the option is granted and an option's maximum term is ten years. Options vest on such terms as the Compensation Committee of the Board of Directors determines, generally in three equal instalments on the first, second and third anniversaries of the date the options are granted.

A summary of the status of the Corporation's Option Plan as at December 31, 1999 and 1998, and changes during the years ending on those dates is presented below:

	1999		1998	
	Options	Weighted-average Exercise price	Options	Weighted-average Exercise price
Outstanding at beginning of year	6,385,000	$ 6.640	5,715,000	$ 7.114
Granted	20,000	2.700	745,000	3.124
Forfeited	–	–	(75,000)	7.850
Outstanding at end of year	6,405,000	$ 6.628	6,385,000	$ 6.640

all tabular amounts expressed in thousands of Canadian dollars

The following table summarizes information on stock options outstanding at December 31, 1999:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable	Weighted-average exercise price
$ 2.70 – $ 4.70	740,000	8.6 years	$ 3.041	240,000	$ 3.050
4.71 – 6.70	3,325,000	5.9 years	6.560	1,408,333	6.562
6.71 – 8.30	2,340,000	6.4 years	7.858	2,280,000	7.870

The Corporation has established an Incentive Savings Plan ("ISP"), a registered deferred profit-sharing plan. Employees are eligible to participate in the ISP after two years of continuous service. The Corporation contributes annually to the ISP, for the benefit of a participant, an amount calculated as a percentage of that participant's voluntary contributions for that year to the Corporation's Capital Accumulation Plan. The percentage is uniform for all participants, is determined annually by the Corporation and shall be not less than 20% and not more than 180%. The Corporation's contributions are paid to the trustee of the ISP, which uses the funds to subscribe for restricted voting shares at the then market price. Participants in the ISP, whose entitlements vest after two years of ISP membership, are entitled to receive on retirement, termination or death, a cash amount calculated by reference to the current value of assets held by the trustee under the ISP. The Corporation issued 74,493 and 121,920 restricted voting shares to the trustee under the ISP in 1999 and 1998 respectively.

Under the Employee Share Purchase Plan ("ESPP"), the Corporation is authorized to issue up to 400,000 restricted voting shares to its full time employees who are eligible to participate after one year of continuous service. Under the terms of the ESPP, employees may elect to have an amount (up to 5% of their previous year's base earnings) withheld by payroll deduction over a two year period to purchase restricted voting shares of the Corporation. The purchase price of the restricted voting shares is the lower of the share price at the beginning of the two year period and the share price at the end of the period. Under the ESPP, the Corporation issued 55,340 restricted voting shares to employees in 1999 and has, since the inception of the ESPP in 1996, issued an aggregate of 55,340 restricted voting shares to employees under the ESPP.

10} FINANCING INCOME, NET

	1999	1998
Interest on cash, short-term investments and loans	$ 29,904	$ 35,325
Interest income from affiliates	8,625	9,195
Interest expense	(5,572)	(2,021)
Other income (expense)	(6,033)	3,677
	$ 26,924	$ 46,176

11} TAXES

The following table reconciles income taxes calculated at a combined Canadian federal/provincial tax rate with the income tax expense in the consolidated financial statements:

	1999	1998
Earnings before taxes	$ 90,320	$ (27,515)
Income tax at the combined basic rate of 44.62%	40,301	(12,277)
Increase (decrease) in taxes resulting from:		
Large Corporation Tax	1,834	1,405
Difference between Canadian and foreign tax rates	(20,251)	25,777
Unrecorded future income tax asset	–	5,625
Recognition of unrecorded future income tax asset from previous years	(4,578)	–
Other items	6,413	(2,050)
Income tax expense	$ 23,719	$ 18,480

Total income tax expense is included in the consolidated statements of operations and retained earnings (deficit) as follows:

	1999	1998
Income tax expense	$ 23,719	$ 18,480
Tax benefit on convertible debenture interest	(19,026)	(17,948)
	$ 4,693	$ 532

Future income taxes consisted of the following temporary differences:

	1999	1998
Capital assets	$ (15,149)	$ (5,546)
Deferred debenture interest	(6,638)	(7,593)
Tax loss carryforwards	27,311	6,622
Other	(364)	(3,272)
Future income tax asset (liability)	$ 5,160	$ (9,789)

At December 31, 1999 the Corporation had income tax losses of approximately $84.9 million, which may be used to reduce future years' taxable income. These losses expire between 2001 and 2006. The benefit relating to $23.2 million of these losses was not recognized in the financial statements.

all tabular amounts expressed in thousands of Canadian dollars

12} FINANCIAL INSTRUMENTS

The fair values of short-term financial instruments approximate carrying value due to their short-term maturity. The fair value of the Anaconda Nickel Limited shares, which trade on the Australian Stock Exchange, was approximately $85.8 million. The estimated fair value of the Sherritt Power Senior Notes was $56.3 million (1998 – $68.0 million). The Corporation expects to hold the Senior Notes until maturity. The fair values of other financial instruments approximate carrying value. Due to the use of subjective judgement and uncertainties in the determination of estimated fair values, these values should not be interpreted as being realizable in an immediate settlement of the respective financial instruments.

During 1999, the Corporation's short-term investments had a weighted-average interest rate of 4.8% (1998 – 4.9%).

Unutilized lines of credit at December 31, 1999 were $37.6 million.

Short-term indebtedness comprises unsecured obligations and other obligations secured by receivables and inventory of the Metals Enterprise. During 1999, the effective interest rate on short-term indebtedness was 7.4% (1998 – 7.9%).

13} RELATED PARTY TRANSACTIONS

Subsidiaries of the Corporation provide, on various terms, goods and services to the Metals Enterprise under supply and service agreements. In addition, under a labour supply agreement, subsidiaries of the Corporation have agreed to provide labour services, at cost, which the Metals Enterprise requires and requests for the purpose of carrying on its business. The Corporation and its subsidiaries also market all of the cobalt, a portion of the nickel, and certain by-products produced by the Metals Enterprise, pursuant to sales agreements. Cubacel provides, on commercial terms, services to the Corporation and its affiliates. The Corporation and its subsidiaries provide, on various terms, advisory and administrative services to Sherritt Power.

The total value of all goods and services, including labour services, that the Corporation and its subsidiaries provided to affiliates in 1999 amounted to $63.4 million (1998 – $109.7 million). The total value of goods and services purchased from affiliates in 1999 was $8.3 million (1998 – $8.5 million).

Amounts receivable from affiliates at December 31, 1999, totalled $15.6 million (1998 – $18.5 million). Amounts payable to affiliates at December 31, 1999 totalled $14.2 million (1998 – $8.7 million).

14} ACQUISITION *of* BUSINESS

On February 27, 1998, the Corporation acquired, for cash of U.S.$38.3 million (Cdn.$55.1 million), a 75% interest in the outstanding common shares of a corporation whose primary asset is 50% of the outstanding common shares of Cubacel. The principal activity of Cubacel is the provision of cellular telephone service in Cuba. The purchase method of accounting was used to account for this transaction and as such the consolidated statements include the results of operations from the date of acquistion.

The net assets acquired at fair values were:

Net tangible assets	$ 8,777
Cellular telephone concession	29,924
Goodwill	18,566
Minority interest	(2,217)
	$ 55,050

15} COMMITMENTS *and* CONTINGENCIES

The Corporation is committed to annual payments under operating leases as follows: 2000 – $3.7 million; 2001 – $2.8 million; 2002 – $1.9 million; 2003 – $1.9 million; 2004 – $1.7 million.

The Corporation entered into an agreement with Sherritt Power whereby the Corporation agreed to advance funds to Sherritt Power under certain circumstances to enable it to fund its obligations to holders of the Senior Notes, to a maximum of U.S.$12.5 million. These advances, should they be required, will bear interest at LIBOR plus 6% and will rank pari passu with the Senior Notes, and will be repayable after repayment of the Senior Notes. No advances were made during the year. The Corporation also agreed to pay stipulated liquidated damages to Sherritt Power, to a maximum of U.S.$1.5 million, in the event that the scheduled commission dates of each phase of the gas plants are not achieved. The Corporation also committed under this agreement to reimburse Sherritt Power for amounts deducted from distributions by the project on account of Cuban income taxes up to an aggregate maximum of U.S.$5.0 million, in exchange for an assignment to the Corporation of Sherritt Power's rights to investment credits arising on payment of this tax. If required, the Corporation will also provide bridge financing to Sherritt Power on commercial terms.

The Corporation has other outstanding commitments aggregating $27.9 million, primarily related to various construction projects.

The Metals Enterprise intends to continue investing in pollution abatement capital projects over the next five years to ensure that the Moa, Cuba operations meet applicable national and international environmental standards. It is anticipated that the Metals Enterprise will generate sufficient funds from internal resources to finance these expenditures.

The agreements establishing the Metals Enterprise require the unanimous consent of its shareholders to pay dividends. It is not expected that this restriction will have a material impact on the ability of the Corporation to meet its obligations.

A significant portion of the business by subsidiaries and affiliates of the Corporation is undertaken in Cuba. The Corporation will continue to be affected by the difficult political relationship between the United States and Cuba. The Corporation does not, directly or indirectly, hold any assets in the United States. Over the years, the Corporation has received letters from U.S. citizens claiming ownership of certain Cuban properties or rights in which the Corporation has an indirect interest, and explicitly or implicitly threatening litigation. Having regard to legal and other developments in the United States, and remedies available in Canada and in Europe, the Corporation believes that the impact of any claims against it will not be material.

16} UNCERTAINTY DUE *to the* YEAR 2000 ISSUE

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the year 2000 issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

17} SEGMENTED INFORMATION

Business Segments: The Corporation's reportable operating segments are business units that offer distinct products and services.

all tabular amounts expressed in thousands of Canadian dollars

The Metals segment comprises mainly the mining, processing and marketing of commodity nickel and cobalt. These activities are performed primarily through the Corporation's 50% indirect interest in the Metals Enterprise. The Oil and Gas segment includes exploration and production of oil and gas outside Canada. The Fertilizers segment includes the production and sale of agricultural fertilizers from its facilities in Alberta, Canada. The Other segment includes power-generation, communications, tourism, agriculture and other activities in Cuba. The Corporate segment comprises management of cash and short-term investments, general corporate activities and the investment in Anaconda. All sales generated by the Corporation's oil and gas operations in Cuba are made to domestic agencies in Cuba.

1999	Metals	Oil and Gas	Fertilizers	Other	Corporate	Consolidated
Revenue from external customers	$193,339	$106,511	$ 57,134	$ 15,362	$ –	$372,346
Intersegment revenues	6,944	–	–	2,088	–	9,032
Depletion and amortization	10,520	31,318	1,003	3,490	4,048	50,379
Provision for site restoration and abandonment	1,743	2,238	200	–	–	4,181
Operating earnings (loss)	48,662	39,143	(2,696)	3,852	(21,876)	67,085
Amortization of goodwill	–	–	–	(1,236)	–	(1,236)
Share of loss of equity investments	–	–	–	(1,275)	–	(1,275)
Financing income (expense)	(1,494)	(1,006)	–	(362)	29,786	26,924
Minority interest	–	–	–	(1,178)	–	(1,178)
Earnings before taxes	47,168	38,137	(2,696)	(199)	7,910	90,320
Capital expenditures	11,616	51,718	4,861	19,004	619	87,818
Assets	248,462	335,983	60,110	187,519	510,881	1,342,955

1998	Metals	Oil and Gas	Fertilizers	Other	Corporate	Consolidated
Revenue from external customers	$ 177,635	$ 59,388	$ 63,423	$ 12,429	$ –	$ 312,875
Intersegment revenues	13,288	–	–	678	–	13,966
Depletion and amortization	10,760	27,598	508	2,798	4,095	45,759
Reduction in carrying value of capital assets	–	(72,250)	–	–	–	(72,250)
Provision for site restoration and abandonment	1,731	829	204	–	–	2,764
Operating earnings (loss)	13,908	(73,435)	5,700	4,176	(20,354)	(70,005)
Amortization of goodwill	–	–	–	(1,031)	–	(1,031)
Share of loss of equity investments	–	–	–	(1,716)	–	(1,716)
Financing income (expense)	(1,856)	3,161	–	45	44,826	46,176
Minority interest	–	–	–	(939)	–	(939)
Earnings before taxes	12,052	(70,274)	5,700	535	24,472	(27,515)
Capital expenditures	20,615	97,482	8,320	26,108	4,084	156,609
Assets	234,683	268,179	38,523	112,620	639,073	1,293,078

all tabular amounts expressed in thousands of Canadian dollars

Geographic Segments

1999	Revenues (1)	Capital Assets and Goodwill
Canada	$ 71,037	$ 126,602
Cuba	103,511	322,843
Europe	132,812	19,634
Asia	64,798	7,637
Other foreign countries	188	37
	$ 372,346	$ 476,753

1998	Revenues (1)	Capital Assets and Goodwill
Canada	$ 72,389	$ 120,672
Cuba	51,860	293,293
Europe	121,208	16,139
Asia	64,933	8,137
Other foreign countries	2,485	68
	$ 312,875	$ 438,309

(1) Revenues are attributed to geographical locations based on location of customer.

financial numbers in thousands of Canadian dollars except per share amounts	1999	1998	1997	1996	1995
Statement of Operations *(1)*					
Revenue	$ 372,346	$ 312,875	$ 349,434	$ 284,692	$26,893
Operating earnings (loss)					
Metals	48,662	13,908	41,238	40,117	7,518
Oil and Gas *(2)*	39,143	(73,435)	2,137	13,578	2,237
Fertilizers *(3)*	(2,696)	5,700	7,087	7,138	–
Other	3,852	4,176	5,520	568	(282)
Corporate	(21,876)	(20,354)	(19,597)	(16,953)	(623)
	67,085	(70,005)	36,385	44,448	8,850
Income (loss) from equity investments	(1,275)	(1,716)	570	807	624
Net earnings (loss)	66,601	(45,995)	37,325	33,345	7,378
Earnings (loss) applicable to restricted voting shares	42,987	(70,687)	23,447	32,245	7,378
Earnings (loss) per restricted voting share					
Basic	0.60	(0.98)	0.33	0.45	0.10
Fully diluted	0.43	–	–	0.41	0.10
Balance Sheets					
Cash and short-term investments	386,018	510,391	600,506	402,304	257,549
Non-cash working capital	111,309	75,945	111,100	102,841	49,275
Capital assets	460,455	420,775	371,786	320,386	269,706
Investments and other assets	273,781	192,622	191,076	122,449	16,955
Debenture instalment receipts	–	–	–	337,500	–
Site restoration and abandonment	(31,519)	(27,338)	(24,574)	(21,606)	(19,643)
Future taxes and minority interests	2,783	(12,945)	(19,637)	(16,376)	(19,794)
Shareholders' equity	1,202,827	1,159,450	1,230,257	1,247,498	554,048
Cash Flows *(1)*					
Cash provided by operating activities	89,979	113,779	78,143	52,726	14,963
Capital expenditures	87,818	156,609	89,324	80,194	9,047
Investments	62,480	151,191	3,816	–	–
Convertible debenture instalment receipts	–	–	337,500	313,728	–
Convertible debenture interest payments	40,500	40,500	42,331	–	–
Increase (decrease) in net cash	(124,373)	(90,115)	198,202	144,755	5,497
Production Volumes *(4)*					
Nickel and cobalt contained in mixed sulphides *(tonnes)*	13,510	13,533	13,256	13,017	10,326
Nickel *(tonnes)*	14,322	13,717	14,150	12,665	11,673
Cobalt *(tonnes)*	1,385	1,322	1,248	1,037	865
Oil *(barrels per day)*	14,878	11,102	6,705	6,561	7,189
Fertilizers *(tonnes)(3)*	400,599	400,026	357,120	68,043	–
Average Realized Prices *(4)*					
Nickel	$ 3.94	$ 3.06	$ 4.15	$ 4.60	$ 5.13
Cobalt	19.42	28.00	28.65	34.15	37.78
Oil	19.21	13.31	18.31	20.59	18.25
Restricted Voting Share Prices *(5)*					
High	4.00	6.50	8.75	9.50	–
Low	2.30	2.70	5.40	6.50	–
Shares Outstanding *(thousands) (5)*	72,269	72,139	72,017	71,906	71,847

Certain prior year figures have been reclassified to conform to the current year's presentation.

(1) Information for 1995 is for the 38-day period ended December 31, 1995.

(2) The 1998 Oil and Gas operating loss includes a $72.3 million write-down of Oil and Gas assets.

(3) The Corporation purchased the fertilizer assets on October 31, 1996. Revenue and operating earnings for the two months ended December 31, 1996 were positively impacted by above average sales and margins and are not representative of a full year of operations.

(4) Pro forma information is presented for 1995, which assumes that the businesses acquired on November 24, 1995 were effectively acquired on January 1, 1995.

(5) Restricted voting shares were issued on June 20, 1996. Prior to June 20, 1996 exchange certificates outstanding were exchangeable on a one-for-one basis for restricted voting shares.

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ANNUAL MEETING OF SHAREHOLDERS

The annual meeting of shareholders of Sherritt International Corporation will be held in the North Lobby of Roy Thomson Hall, 60 Simcoe Street, Toronto, Ontario on Thursday, May 25, 2000 at 10:00 a.m.

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